

Task 4 Subtask

Review of Health Benefits Plan

- A. Comparison of benefit provisions of the health benefits plan to other FEHB plans and private sector plans

A written description of the important general and specific provisions of the health benefits plan and comparison to provisions of other plans. Specific attention will be paid to the government-wide options, GEBA, Foreign Service and SAMBA.

- B. Analysis of the financing of the health benefits plan

A review and written discussion of the financing of the health benefits plan including consideration of the use of revenues and effect of direct health care provided by the employer.

- C. Analysis of the relative value of the health benefits plan

The relative cash/benefits value of the health plan will be established and compared to the FEHB and private sector plans indicated in Section A.

- D. Presentation to contracting officers and staff

The above analyses will be presented to the contracting officers on or before November 14, 1983. After review, the analysis will be used to build a presentation to agency staff during the open season.

- E. Preparation of alternatives for 1985 health benefits contract

Presentation for changes in the benefits and financing structure will be developed based on the above analysis and results of the open season. Hay will assist the agency in deciding on the changes needed and negotiating these changes during the benefits and rates specification.

## Task 1: Review of Options for Change in Retirement System

### A. Comparison of Benefits

To provide a perspective of the benefits provided by the two current employee retirement systems the benefits will be summarized and compared to other retirement programs. The benefits to be compared will include:

- o retirement eligibility conditions;
- o retirement accrual formula;
- o disability conditions and formula;
- o survivor conditions and formula;
- o involuntary retirement conditions and formula;
- o employee contributions;
- o cost-of-living increases.

It is recognized that the requirements of the employer are unique and that the special needs of both the personnel system and retirement system must be recognized. However, it will be useful to include a comparison to retirement systems for other organizations as well as the general retirement conditions in this country. The comparison will include the following systems:

- o Foreign Service Retirement;
- o State and local law enforcement retirement;
- o
- o Military retirement;
- o Social Security; and
- o Typical private sector retirement systems.

The comparisons will include all retirement plans available to employees of other organizations including social security and deferred compensation plans.

B. Comparison of costs - employer perspective

The current financing of the two employee retirement systems will be summarized and discussed. This analysis will include a comparison of each of the key cost items that are typically used to compare benefits among retirement systems. In addition to providing a perspective on the current financing of the employee retirement systems the analysis will include a comparison of the relative costs of other retirement systems. Since the level and type of financing of retirement systems vary widely, the comparison of actual cost is not instructive or useful. Hay will use a standard and accepted Benefit Value Comparison method to develop a valid comparison of the costs of the different systems.

C. Comparison of benefits - employee perspective

The important considerations to the employee are the timing and the level of replacement income provided by the retirement systems. Hay Associates will construct, with the assistance of the employer, typical career patterns and a comparison of final pay to the first year's benefits, i.e., replacement income.

This analysis will show the current level of income anticipated by employees under each of the systems and the variations that might be expected if the systems are revised.

D. Employer considerations

Retirement systems are usually developed by employers to meet certain needs of the employer and employee. Typical employer systems are designed to reward employees for long service and allow employees to retire after a full career and maintain a reasonable standard of living. The employer needs to make sure that the retirement system covers all of the important contingencies (death, disability, and withdrawal as well as regular retirement) with an adequate retirement income for each contingency.

In this case, the employer has certain unique needs that go beyond the typical employer considerations, in establishing a retirement system. The employer must allow for a career path which meets the unique type of jobs that are involved. There also need to be procedures to allow the employer to maintain an

effective workforce by retiring employees at a relatively young age with adequate levels of replacement income.

These general and specific considerations will be fully discussed and presented to the employer. As a result, the employer should be able to select the underlying requirements that any new retirement system must meet.

E. Alternative plans

Based on the analysis, Hay Associates will prepare a full range of alternative plans that might apply. It is recognized that many of the types of plans that are commonly used in the United States would be inappropriate for the employer but the full range will be discussed to make sure that all possible options are considered.

Hay Associates will assist the employer in looking at the cost, replacement income, and effect on personnel policy of each type of retirement in order to select the three or four most appropriate options for detailed analysis in the following tasks.

F. Timing

The relative timing of the various tasks in the project has changed because of the need to deal immediately with the health benefits analysis of task 4. Accordingly, Hay Associates will aim for completion of the task 1 report by December 15 to permit employer selection of the option in early January and swift

completion of the other tasks.